RAJYA SABHA

Tuesday, the 27th August, 1996/5th Bhadra, 1918 (Saka)

The House met at eleven of the clock, **Mr. Chairman** ***in the Chair.***

ORAL ANSWERS TO QUESTIONS

*361. *[The questioner (Shri Parmeshwar Kumar Agarwalla) was absent for answer vide col. 27 infra.]*

MR. CHAIRMAN : Hon. Members, Shri Parmeshwar Kumar Agarwalla has written to me he has tabled the first question — that he would like this to be taken up on another day. He has requested that due to unavoidable circumastances he would not be able to be present here.

SHRI AJIT P.K. JOGI: That is not possible, Sir. It is not done, Sir. ...(*Interruptions*).... If a Member is not present, the question lapses. ....(*Interruptions*)... The question has to lapse, Sir. ....(*Interruptions*)...

डॉ. अलादी पी. राजकुमार: रिक्वेस्ट करने में कोई हर्ज़ तो नहीं है।

श्री अजीत जोगी: रिक्वेस्ट तो कर सकते हैं लेकिन रिक्वेस्ट को ऐलाऊ नहीं करना चाहिए।

MR. CHAIRMAN : Okay. I go to the second question.

SHRI TRILOKI NATH CHATURVEDI: It is the discretion of the Chairman.

SHRI AJIT P.K. JOGI: No, no, no.

MR. CHAIRMAN: Q. No. 362.

*362. *[The questioner (Shri Bhagaban Majha) was absent. For answer vide col. 28 infra.]*

Shri Sanjay Dalmia. He is also not present!

AN HON. MEMBER: Sir, he has come. He is present.

SHRI P. CHIDAMBARAM: Sir, I thought he was obliging me by remaining outside.

White Paper on foreign Debt

*363. MAULANA OBAIDULLAH KHAN AZMI:
SHRI SANJAY DALMIA:†

Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to issue a "White Paper" on foreign debt; and

(b) if so, by when?

THE FINANCE MINISTER (SHRI P. CHIDAMBARAM): (a) and (b) Government proposes to issue a Status Report on Idnia's External Debt in the current financial year.

SHRI SANJAY DALMIA: Sir, the total foreign debt which, I believe, is in the range of 100 billion US dollars, is huge mainly because in the last so many years our imports have been more than exports and most of the imports to the best of my knowledge are in the nature of consumer goods, whether they are raw materials or finished goods. I would like to ask the hon. Finance Minister whether, keeping in view this huge foreign debt, there is a strategy to reverse this excess of imports over exports in the next few years so that the surplus created out of this could be used to start repaying the foreign debt. That is part (a).

(b) I would like to know whether there is any proposal by the Government to limit the total foreign debt, not as a percentage of the GDP but as an absolute amount. If so, what should be the figure of the maximum debt which the Government of India should consider as an absolute figure of external debt?

SHRI P. CHIDAMBARAM: Sir, on the first part of the question, it is our intention to reach a level where exports exceed imports. But that is not possible in the short run because, as the hon. Member himself has said, the bulk of our imports today are capital goods, raw materials and components which go into industrial production and production for exports. But it is our intention that over a period of time our economy will become more open and more competitive and exports will exceed imports. But I cannot say that this will happen over the next three to four years. On the second part of the question, I don't think it is possible to lay a

† The question was actually asked on the floor of the House by Shri Sanjay Dalmia.

SHRI P. CHIDAMBARAM: Sir, there has been no delay. The first report was published in October, 1993 and the second report was published on 22 December, 1995. The decision then was to publish a report once in two years. I have now taken a decision to publish it every year. It will now be published before March, 1997, before the end of the current financial year. That is not a delayed report.

DR. BIPLAB DASGUPTA: Sir, I understand from reports that India is now the fourth largest debtor in the world after Brazil, Mexico and China. But there is a difference. The Minister has mentioned about debt service ratios in relation to export earnings. If you look at the figures, all these countries which have incurred more debt than us, have a much lower debt service ratio. Even China has a debt service ratio of less than 10 per cent. In our case it is 26 per cent fluctuating to 27 or 28 per cent. It is very close to 30 per cent which is the danger level. So we are approaching a situation of bankruptcy. That is where we should be worried. We should be worried because every year our imports are more than our exports. Last year our imports exceeded exports by six billion dollars. If you go on adding to this foreign debt, then our credit rating will also go down. That is something one should be worried about. We are not saying that you cut down capital goods imports. Only a fool would say so. But what about luxury consumer goods? If you don't want to have quantitative restrictions, then have tariffication. You put tariff at such a high level so that unnecessary luxury consumer demand is brought down.

What is the Government doing about it? What is worrying me is this. I want you to publish a white paper and secondly, there should be a perspective plan for dealing with this. I don't see any perspective plan. What is happening is this. We are passing on our burden to the future generation. We are incurring liabilities. The future generation will have to pay it. We are destroying the future of future generation. What I am saying is this. The Government must seriously think over it. What is the plan of the Government to redeem this debt within a reasonable time?

SHRI P. CHIDAMBARAM: Sir, the hon. Member compares ourselves with China. I wish we could do all the things that China has done. If I recommend certain measures which China has adopted, the first person who would pounce upon me would be the hon. Member. I don't think we should simply take one aspect of what China has done and forget other aspects of China. For example, China allows without any restriction investment in the production of consumer goods for exports. Will you allow that? I think we should look at our situation in terms of our economic philosophy, what we have been able to build up consensus on.

I have great respect for him and his understanding of economics is far more than mine. The debt-service ratio has come down from 35.25 per cent in 1990-91, in the year of crisis, to 26.15 per cent last year ....*(Interruptions)*

SHRI AJIT P.K. JOGI: Thanks to Dr. Manmohan Singh.

SHRI P. CHIDAMBARAM: I acknowledge that. This is not the first time I am acknowledging it. I acknowledge the policies pursued by the previous Government and the economic policies adopted by Dr. Manmohan Singh. Now the point is whether I should do anything more to bring to further down. Let me know. Surely, I will listen to you. After all, there are many eminent people in this House. Shri Pranab Mukherjee is there. Shri Satish Agarwal is there. Shri Chavan is there. I am willing to sit down and see what needs to be done to bring down the debt-service ratio. But comparison is really odius. You can't take one aspect of one country and do that. Let us do everything which China does. I would agree with the hon. Member that we must have tariffs. But what is the suitable level of tariffs We can never come to an agreement on that. If we can keep tariff on infinity or near-infinity, it will only promote smuggling. Come with me. I will take you to a shop. I will show you that everything you want to get, you can get it in India. From a catalogue, you can buy. Your A.C. market in Calcutta has got a catalogue. All you have to do is point out which item you want and they will deliver it to you in one week. So, infinite tariff will promote smuggling. The answer is, therefore, to keep it at a level of

tariff where there is enough of deterrent. Those who can afford will be able to buy; otherwise, they will smuggle the goods into India. We have, therefore, proposed in the CMP a tariff commission. A tariff commission is being set up according to the time-table and that commission will look into some of the aspects which you have mentioned. And I will accept its advice.

SHRI PRANAB MUKHERJEE: Sir, at one point of time, namely, in March, 1995 the external debt-GDP ratio came down further from the level of 29 per cent—I think that it was one or two per cent further below. But because of exchange fluctuations, there has been some upward movement. There are many reasons for it. It is not merely the imbalance between imports and exports. And if I remember correctly, except in 1976-77, historically, this country never had surplus in Trade Accounts. There was only a very small surplus in trade Account of Rs. 72 crores. Therefore, we are all along been having deficit so far as trade balance is concerned. But that is not the major reason. One of the major reasons, to my mind, is that we tried to fund our developmental projects also by some sort of short-term external debt. I would like to know from the hon. Minister what is the quantum of retrievement of shortterm debt in the last five years. This is very important. It will have further reflections in the debt-GDP ratio. If the hon. Minister has the figure readily with him, he can enlighten the House about it. In this connection, I would also like to know one more think from him. There has been a slight variation in the computation of the debt-service ratio. Till the end of the Sixth Plan, they used to quantify the percentage in terms of net export earnings. Thereafter, we started computing debt service ratio including invisibles which further reduced the leverage for the Government; a little bit of elbow-room available. I would like to know whether the Government has any idea, in future, of relooking into the elements which are to be included in computing the debt-service ratio.

SHRI P. CHIDAMBARAM: Sir, I have figures pertaining to the short-term debt as on September, 1995. I recall that the ratio has come down. I don't have the time-series with me right now. I will send it across to the hon. Member. Of the total debt of 93 billion, the short-term debt is 4.5 billion only. It has come down.

SHRI PRANAB MUKHERJEE: How much have you retired during this five-year period?

SHRI P. CHIDAMBARAM: I do not have those figures for the five years. I have the figures as on September 1995. The long-term debt is 89.3 billions and short-term debt is 4.5 billions. The total is 93.8 billions. But from memory I recall that the short-term debt has come down. The proportion of short-term debt to the total debt has come down. I think we did return the short-term debt and substituted it by the long-term debt. But I will give the figures to you, Mr. Mukherjee, during the course of the week.

SHRI SATISH AGARWAL: Sir, according to the Status Paper presented by the previous hon. Finance Minister, Dr. Manmohan Singh regarding India's external debt in December 1995 the total debt as on March 1995 comes to 99.04 billions, which comes to more than 300,000 crores of rupees. I am not going at the moment into the whole economics of it. But according to the Government of India Budget documents you are showing your external debt in the year 1995, end of 1995, as Rs. 50,928.47 crores. This is on the basis of the bookvalue. As you have updated the Economic Survey for 1995-96, why don't you update the figures of external debt also? What is the fun in keeping the depreseed figures of Rs. 50,000 crores, when, according to another document made available to the Government of India itself, our external debt liability is much more? But you have put a note at the end. Balances are according to bookvalue.

It may be correct, I am not disputing the correctness of the figures. But what I am saying is this. Will it not be right and correct to update the figures of external debt? Instead of Rs. 50,000 crores, at the present exchange rate value what is the value in rupee terms? Put it that way? Will the Government think over it?

SHRI P. CHIDAMBARAM Frankly, I cannot respond to it off-hand. During the course of the Budget debate Iwill respond to the point which Mr. Agarwal just made. I won't be able

to respond off-hand unless I see those figures and have the documents with me. Sir, on the previous question, on 31.3.1991, short-term debt proportion was 10.2 per cent. It came down to 4.78 per cent in September 1995. We must have, therefore, returned a large amount of short-term debt.

SHRI SOM PAL: Mr. Chairman Sir, a large component of he external debt is the soft aid. According to information avaiable, a huge amount of external aid has been lying unutilised. And for several years this figure has been going up year after year. I would like to know from the Minister what the reasons have been for this under-utlisation or non-utilisation and what steps they are envisaging to correct the situation and secondly, what the amounts have been that India has paid during the past five years by way of commitment charges for not utilising the aid within the stipulated period and what is being done to redeem the situation?

SHRI P. CHIDAMBARAM: Sir, in fact, the question was dealt with in great detail three-four weeks ago. Sir, the commitment charges for last three years have been approximately Rs. 60 crores. Utilisation of external aid is tardy for a variety of reasons. One of them being that States are not able to provide counterpart funds which they have to commit for the project. Ideally, utilisation rate should be about 20 per cent of the current commitments so that the project is completed in about five years. I think our ratio is running somewhere between 15 and 16 per cent which means that projects take over seven years or eight years to be completed. Only yesterday, Sir, I have written to the Chief Ministers of States and I am glad this opportunity is available to me to make that clear. I have written to the Chief Ministers of States listing all the externally aided projects in their States, at least the more important ones.... and requesting them to accelerate utilisation of the aid by providing, not merely committing, by providing matching funds, which they have to provide in their Budgets, in their Plans, for completing the projects in time. I have written to the Chief Ministers of the major States where these aided programmes are going on. I hope the States will provide the funds. Otherwise, these projects will tend to drag on and on, beyond 5 years, beyond 7 years and beyond 10 years. It will only mean that we pay commitment charges and we don't get the benefit of the aid which was committed to us. I sincerely hope that the hon. Members will take up with their respective Chief Ministers and impress upon them the need to provide matching funds which the States have to provide to complete these projects.

SHRI SOM PAL: The question is : If the States do not behave, what steps would the Centre take? This is the question. The other question is: What is the total amount of unutilised aid as on date? I know the present situation. But what would you do? What steps would you take?

SHRI P. CHIDAMBARAM: What steps can I take, Sir! I can only persuade the State Governments to provide funds and complete the projects as quickly as they can in the interest of the States and in the interest of the nation. Otherwise, the committed amount remains committed and not drawn. And we have to pay the commitment charges. I cannot penalise the States. I don't have the power to penalise the States. I don't have the figure in respect of actual pendency. Again speaking from my memory, it must be somewhere around Rs. 60,000 or Rs. 65,000 crores.

SHRI SATISH AGARWAL: It is Rs. 60,000 crores.

SHRI P. CHIDAMBARAM: I don't have the correct figure. However, I will furnish the exact figure to the hon. Member.

MR. CHAIRMAN: Question No. 364 — Shri V. Hanumantha Rao. He is not there.

364. *[The questioner (Shri V. Hamumantha Rao) was absent. For answer vide col. 28 infra]*

MR. CHAIRMAN: Question No. 365 — Mr. Vedprakash P. Goyal.

Fall in share prices after 1996-97 budget

*365. SHRI VEDPRAKASH P. GOYAL: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that there has been a steep fall in the prices of shares of different companies after the presentation of 1996-97 budget in Parliament;